

PP14767/09/2012(030761)

Wednesday, May 20, 2015

Report of the Day

Results Review: Axiata 1Q15, HOLD (TP: RM7.40) – “Slow in Recovery”

Results Review: Star Publication 1Q15, HOLD (TP: RM2.47) – “Challenging Year”

Results Review: Padini 3Q15, BUY (TP: RM1.80) – “A Good Quarter”

Company Update: Maybank, BUY (TP: RM10.70) – “Unexpected Exit”

Company Update: Dayang, BUY (TP: RM2.95) – “Dayang Propose to Takeover Perdana”

At a Glance

FBMKLCI plunged 13.78 points to finish at 1,809.72 due to scarce in catalyst that able to push investor confident.....(See full report next page)

Strategy

“Wall Street Retreat Ahead of FOMC April Meeting Minutes”

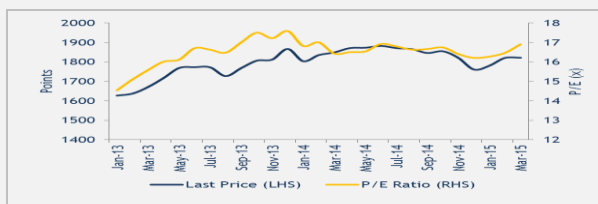
the FOMC will be scrutinizing the US housing market health before deciding on the next course of action.....(See full report next page)

Corporate Highlights

- **Axiata, HOLD (TP: RM7.40):** Net profit slumps by 13%
- **Star Publication, HOLD (TP: RM2.47):** Record 63% jump in net profit
- **Padini (TBD):** 3Q net profit jumps 26%

Economic Update

- **Malaysia:** Consumer confidence improves 94%
- **Malaysia:** US\$1.5b global sukuk boost Malaysia's position, says Najib
- **U.S.:** Robust U.S. housing data offers hope for second-quarter growth



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Price	
JP	18-May	7:50 AM	Machine Orders MoM	-	-0.4%
JP	18-May	7:50 AM	Machine Orders YoY	-	5.9%
JP	18-May	12:30 PM	Industrial Production MoM	-	-0.3%
JP	18-May	12:30 PM	Industrial Production YoY	-	-1.2%
JP	18-May	12:30 PM	Capacity Utilization MoM	-	0.0%
EU	19-May	5:00 PM	Trade Balance NSA	-	20.3B
EU	19-May	5:00 PM	CPI MoM	-	1.1%
EU	19-May	5:00 PM	CPI YoY	0.0%	0.0%
EU	19-May	5:00 PM	CPI Core YoY	0.6%	0.6%
US	19-May	8:30 PM	Housing Starts	1020K	926K
US	19-May	8:30 PM	Building Permits	1063K	1039K
US	20-May	7:00 PM	MBA Mortgage Applications	-	-3.5%
JP	20-May	7:50 AM	GDP SA QoQ	0.4%	0.4%
JP	20-May	7:50 AM	GDP Annualized SA QoQ	1.4%	1.5%
JP	20-May	7:50 AM	GDP Deflator YoY	3.4%	2.4%
JP	20-May	1:00 PM	Leading Index CI	-	105.5
JP	20-May	1:00 PM	Coincident Index	-	109.5
EU	21-May	4:00 PM	Markit Eurozone Manufacturing PMI	51.8	52.0
EU	21-May	4:00 PM	Markit Eurozone Services PMI	53.8	54.1
EU	21-May	4:00 PM	Markit Eurozone Composite PMI	53.6	53.9
EU	21-May	10:00 PM	Consumer Confidence	-	-4.6
US	21-May	8:30 PM	Initial Jobless Claims	-	-
US	21-May	8:30 PM	Continuing Claims	-	-
US	21-May	9:45 PM	Markit US Manufacturing PMI	54.4	54.1
US	21-May	10:00 PM	Existing Home Sales	5.22M	5.19M
US	21-May	10:00 PM	Existing Home Sales MoM	0.6%	6.1%
US	21-May	10:00 PM	Leading Index	0.2%	0.2%
CN	21-May	9:45 AM	HSBC China Manufacturing PMI	48.9	48.9
US	22-May	8:30 PM	CPI MoM	0.1%	0.2%
US	22-May	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.2%
US	22-May	8:30 PM	CPI YoY	-0.2%	-0.1%
US	22-May	8:30 PM	CPI Ex Food and Energy YoY	1.7%	1.8%
JP	22-May	-	Bank of Japan Monetary Policy Statement	-	-
MY	22-May	12:00 PM	CPI YoY	-	0.9%
MY	22-May	-	Foreign Reserves	-	\$105.8B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,809.72	-13.78	-0.76
FBMEMAS	12,498.79	-74.93	-0.60
FBMEMAS SHA	12,995.15	-117.73	-0.90
FBM100	12,172.08	-78.19	-0.64
Volume (mn)	2,073.67	-127.79	-5.80
Value (RMmn)	1,984.01	206.39	11.61
FBMKLCI YTD Chg			2.75

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.9	-3.1
Local Institution	59.8	161.6
Foreign Investors	21.3	-158.5

Top Gainers

	Close	Change+/-	(+/- %)
SRWK OIL PALM	4.75	0.34	7.71
VS INDUSTRY BHD	4.11	0.22	5.66
ORIENTAL FOOD	5.88	0.22	3.89

Top Losers

	Close	Change+/-	(+/- %)
PETRONAS GAS	22.10	-1.38	-5.88
PPB GROUP	15.60	-0.46	-2.86
TNB	13.98	-0.32	-2.24

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,312.39	13.51	0.07
NASDAQ	5,070.03	-8.41	-0.17
S&P 500	2,127.83	-1.37	-0.06
FTSE 100	6,995.10	26.23	0.38
DAX	11,853.33	259.05	2.23
Nikkei 225	20,026.38	136.11	0.68
HSI	27,693.54	102.29	0.37
KOSPI	2,120.85	7.13	0.34
STI	3,459.57	-9.04	-0.26
KLCI Futures	1,803.00	(15.00)	(0.01)
USDMYR 3M	9.82	(0.04)	(0.00)
USDMYR 6M	9.88	(0.01)	(0.00)
USDMYR 12M	10.01	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	58	0.4	0.6%
Brent (USD/bbl)	64.0	-2.3	-3.4%
Gold(USD/ounce)	1,209	1.1	0.1%
Coal (USD/mt)	60.2	-0.5	-0.8%
CPO (RM/mt)	2,158	-24.0	-1.1%
Rubber	184	-0.9	-0.5%
RM/USD	3.59	0.0228	-0.63%
EUR/USD	0.90	0.0002	0.02%
YEN/USD	120.66	-0.03	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 13.51 points to 18,312.39; S&P 500 shed by 1.37 points to 2,127.83. Nasdaq down by 8.41 points to 5,070.03. Stocks closed mixed Tuesday as investors eyed renewed gains in yields and the dollar ahead of the Federal Reserve meeting minutes.
- The Federal Reserve Open Market Committee is expected to release the minutes of its April meeting on Wednesday, while several policymakers, including Janet Yellen, are scheduled to speak later in the week.

The Local Market

- FBMKLCI plunged 13.78 points to finish at 1,809.72 due to scarce in catalyst that able to push investor confident. There were 360 gainers and 406 decliners in total value traded of RM1.98 billion.
- Among the losers on Bursa Malaysia were PetGas tumbled RM1.38 to RM22.10, PPB Group dropped 46 cent to RM15.60, TNB declined 32 cent to RM13.98 and Dutch Lady shed 28 cent to RM47.00.

Strategy

- **“Wall Street Retreat Ahead of FOMC April Meeting Minutes”**
Wall Street ended lower ahead of the FOMC meeting minutes that will be released today and also Janet Yellen speaking engagement later in the week. **S&P 500** and **DJIA** lost **1.37 (-0.06%)** and **13.51 (-0.07%)** points to end at **2,127.83** and **18,312.39** respectively. As mentioned, market watchers were waiting for more clues in US FOMC meeting minutes scheduled to be released today. Although the Fed was dovish during the recent monetary statement but the details of the minutes will give the market more info on what to expect on the US monetary path. Janet Yellen will be detailing out more on this during her speaking engagement later in the week. In any case, the FOMC will be scrutinizing the US housing market health before deciding on the next course of action. In the meantime, US April housing starts hit seven-year-high of 1.35 million, beating estimates projection of 1.02 million. At this stage, the recovery in US housing market is rather uneven and far from solid to justify adjusting the policy rate. Also, US inflation has been rather anemic; further proving that the Federal Funds Rate will not be in any danger of moving heavenward. As for the local market, the tabling of 11th Malaysian Plan tomorrow will be waited in anxiously especially for the construction boys as there are likely to be a host of construction projects coming in. The tabling of this 5-year plan may jack up interest in the broader market but it may be capped by lack of other catalyst in hand.
- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the

projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

Axiata, HOLD (TP: RM7.40): Net profit slumps by 13%

Axiata Group Bhd's earnings fell 13.3% to RM584.84 million in the first quarter ended Dec 31, 2015 from RM674.88 million a year ago. The company said the drop in earnings was due to a more challenging quarter at Celcom Axiata Bhd and PT XL Axiata Tbk, a weakening Rupiah and increased depreciation costs from growth driven capital expenditure (capex). Revenue, however, was RM4.8 billion, up 5% from a year ago. The quarter saw the group investing more than RM1 billion in capex, primarily towards strengthening the data network. The group's cash position remained robust at RM5.7 billion. *(Source: The Sunday)*

Star Publication, HOLD (TP: RM2.47): Record 63% jump in net profit

Efforts to rationalise its operations last year are beginning to reflect on the performance of Star Publications (M) Bhd, as it recorded a 63% increase in net profit to RM26.55mil for the first quarter ended March 31, against the corresponding quarter of last year. The print and digital business segment, which is the mainstay of the Star Media Group, registered a profit before tax of RM44.44mil or a 78.2% increase in the first quarter compared with RM24.95mil in the same period last year. The increase in the bottom line came amid a tough operating environment of reduced overall advertising revenue that was affected by poor consumer sentiment due to the rising cost of living. *(Source: The Star)*

Padini, BUY (TP: RM1.80): 3Q net profit jumps 26%

Padini Holdings Bhd's net profit jumped 26% to RM26.59 million or 4.04 sen per share for its third financial quarter ended March 31, 2015 (3QFY15) from RM21.11 million or 3.21 sen per share a year ago. The improved earnings were in tandem with a 30% increase in revenue to RM283.62 million from RM218.85 million in 3QFY14. Padini declared a fourth interim dividend of 2.5 sen for the year ending June 30, 2015 (FY15), payable on June 22, 2015. In a filing with Bursa Malaysia, Padini attributed the better revenue for 3QFY15 to the longer Chinese New Year shopping season, while an additional seven Brand Outlet Stores and six Padini Concept Stores had also supported its growth. *(Source: The Edge)*

TNB, HOLD (TP: RM15.20): AmProp signs 21-year deal with TNB

Amcorp Properties Bhd's (AmProp) units have signed renewable energy power purchase agreements (REPPA) with Tenaga Nasional Bhd (TNB) for the supply and delivery of 20MW renewable energy to be generated by the Sungai Liang 20MW Mini Hydro Power Plant in Raub, Pahang. It will be jointly developed and operated by AmProp and TNB. Under the terms of the REPPA, TNB will purchase the electricity generated for a concession period of 21 years for a Feed-In-Tariff (FiT) rate of RM0.24kWh. Commencement of the Plants hydro power generation is expected to be June 2017 with an estimated output valued at approximately RM20.5mil per annum, translating to an equivalent electricity generation of 85.42GWh a year. *(Source: The Star)*

Petronas Chemicals, HOLD (TP: RM5.80): Sabah urea plant to start up early 2016

Malaysia's Petronas Chemicals Group, a division of the country's national oil company, is expecting to start up its Sabah Ammonia and Urea (SAMUR) project early next year, about six months behind schedule, a senior company official said on Tuesday. The plant was originally slated to be completed by August 2015 and was to set Petronas Chemicals on track to become Southeast Asia's second largest producer of urea, a widely used fertiliser. The plant was delayed from its earlier start-up schedule after a vessel transporting critical equipment to the plant site caught fire early last year. (Source: *The Edge*)

WCT, HOLD (TP: RM1.76): To launch mixed projects with RM700mil in GDV

WCT Holdings Bhd (WCT) is expected to launch several mixed development projects with an estimated gross development value (GDV) of RM700 million out of its remaining GDV of RM25 billion this year, its Deputy Managing Director, Goh Chin Liong said. The property launches include Bandar Bukit Tinggi in Klang, The Paradigm in Petaling Jaya, and Medini Iskandar Malaysia in Johor Bahru. Speaking to reporters after the company's annual general meeting and extraordinary general meeting on Tuesday, he said the affordable housing projects would have GDV of between RM100 million and RM200 million. Goh said the company planned to allocate RM5 billion of the RM25 billion GDV for a long-term investment in property segments like shopping malls and hotels as its residual income. (Source: *The Star*)

Tune Ins (CP: RM1.82): Benefits from strong travel business

Tune Ins Holdings Bhd (TIH) recorded profit after tax (PAT) of RM17.2mil in the first quarter (Q1) ended March 31, 2015, a 6.9% increase over the same period last year due to a strong travel business. It said in a statement that the growth was achieved if a one-time gain of RM4.3mil from the sale of a property in the corresponding quarter a year ago was excluded. With the one-time gain included, PAT fell by 15.7% year-on-year (y-o-y). It said the global travel business posted strong growth with gross written premium (GWP) and net earned premium delivering y-o-y increases of 16.9% and 10.5% respectively, thanks to improved travel climate coupled with higher take-up rates across major markets. (Source: *The Star*)

Subur Tiasa (CP: RM1.78): Ops not affected by MACC investigation

Sarawak-based timber player Subur Tiasa Holdings Bhd said the group's operations are not affected by the Malaysian Anti-Corruption Commission's (MACC) ongoing investigations into illegal logging activities in the state. It is the latest listed company to issue a statement to Bursa Malaysia on the MACC's Ops Gergaji, which last week saw some RM700mil in bank accounts frozen and nearly 2,000 logs seized. According to Subur Tiasa's annual report, the logging and reforestation segment contributed to 45% of the group's revenue amounting to RM402mil for the financial year ended July 31, 2014. This came mainly from exports to India, Taiwan, Vietnam, Japan and China. (Source: *The Star*)

Pestech (CP: RM5.07): Awards RM217mil Cambodian project internally

Pestech International Bhd subsidiary Diamond Power Ltd has awarded a US\$60.60mil (RM217.56mil) contract to two other Pestech subsidiaries to design, build, test and commission a transmission system project in Cambodia. In a filing with Bursa Malaysia on Tuesday, Pestech said its subsidiaries Pestech (Cambodia) Ltd and Enersol Co Ltd had inked agreements with Diamond Power Ltd, which is a 60%-owned subsidiary of Pestech. Last month Diamond Power won the rights to develop the 230kV transmission line project on a build-operate-transfer basis, marking the Pestech group's entry as an independent power transmitter on a concession basis. *(Source: The Star)*

Landmarks (CP: RM1.38): In JV to develop two hotels in Indonesia

Landmarks Bhd, through its wholly-owned subsidiary PT Bintan Hotel Utama (PTBHU), entered into a joint venture (JV) agreement with ML Hotel Investments Pte Ltd on Tuesday to develop, own and operate two international hotel chains in Treasure Bay Bintan, Indonesia. Treasure Bay is a 338ha waterfront resort city located on the Indonesian island of Bintan. The two hotels, Mercure and ibis Budget, were expected to open in 2017 and will be managed by Accor Group, Landmarks said in a statement. When completed, Mercure will be the islands tallest landmark at 10 storeys high. *(Source: The Star)*

ECONOMIC UPDATES**Malaysia: Consumer confidence improves 94%**

Malaysian consumer confidence index for the first quarter this year improved to 94%, which was up by 5% from the previous quarter due to falling petrol prices, according to Nielsen Global Survey of Consumer Spending Intentions. However, Nielsen Malaysia country manager Richard Hall said that Malaysians in general are more concerned rather than confident with the nation's economic conditions. Economic conditions remain a key concern for Malaysian consumers with almost half of respondents (47%) citing the economy as their biggest concern over the next six months compared to 31% of consumers in Southeast Asia," the company said on Tuesday. *(Source: The Star)*

Malaysia: US\$1.5b global sukuk boost Malaysia's position, says Najib

Malaysia's successful pricing of the US\$1.5 billion global sukuk has strengthened the country's position as an international centre for Islamic finance, says Prime Minister Datuk Seri Najib Tun Razak. Najib, who is also Finance Minister, said the 30-year tranche was the government's inaugural sukuk issuance, which is the longest tenured sukuk ever by a sovereign. The issuance comprises US\$1 billion of 10-year and US\$500 million of 30-year benchmark Trust Certificates (Sukuk) for a total size of US\$1.5 billion. Najib said the deal was oversubscribed, attracting an aggregate interest of US\$9.0 billion from a combined investor base of over 450 accounts. The 10-year tranche was oversubscribed nearly seven times while the 30-year tranche was oversubscribed about six times. *(Source: The Star)*

U.S.: Robust U.S. housing data offers hope for second-quarter growth

U.S. housing starts jumped to their highest level in nearly 7-1/2 years in April and permits soared, hopeful signs for an economy that is struggling to regain strong momentum after a dismal first quarter. The strength in housing is in stark contrast with weakness in consumption, business spending and manufacturing, which have prompted economists to lower their second-quarter growth estimates and raised doubts that the Federal Reserve will raise interest rates before the end of the year. Groundbreaking surged 20.2 percent to a seasonally adjusted annual pace of 1.14 million units, the highest since November 2007, the Commerce Department said on Tuesday. The percent increase was the biggest since February 1991. March's starts were revised up to a 944,000 unit rate instead of the previously reported 926,000 unit pace. *(Source: The Edge)*

U.S.: To press currency policy around TPPA talks

The United States will press potential partners in a Pacific trade pact for agreement on currency policies "in the context of" the trade deal, US Treasury Secretary Jack Lew said on Tuesday. It was not clear what form this agreement could take as the negotiators from the United States, Japan, South Korea and other countries try to reach a Trans Pacific Partnership deal. Pressure from the US Congress has already led US officials to broach the sensitive topic of currency with America's 11 potential TPP partners, Lew said at a conference on international economic policy. *(Source: The Star)*

Greece: Athens sees EU deal soon, Greeks' approval of government stance dwindles

Greece's labour minister said on Tuesday Athens would soon conclude a deal with its foreign creditors that could unlock further loans to the cash-starved country. Greece's new government has been in talks with its European Union and International Monetary Fund lenders over the past four months about the release of around 7.2 billion euros (\$8.1 billion) in aid. Asked on Greek TV when Athens would reach the cash-for-reform deal, Labour Minister Panos Skourletis said: "De facto, in the coming days. Greece faces payments of about 1.5 billion euros to the IMF next month. It made its last repayment of about 750 million euros to the IMF last week by emptying a holding account at the Fund. *(Source: The Edge)*

China: Releases guidelines for economic reform priorities in 2015

Chinese policymakers on Monday announced guidelines for reform priorities in 2015, ranging from streamlining administrative procedures to boosting the yuan's global role, as Beijing steps up efforts to open up the country's capital markets. The State Council, China's cabinet, approved the guidelines drafted by the National Development and Reform Commission for this year's action plan, calling 2015 "a crucial year for deepening reform." With the ultimate goal of restructuring the economy to boost consumption at the expense of exports and investment, Beijing has remained focused on a range of reforms, including freeing up the workforce to liberalizing China's nascent financial market. *(Source: The Star)*

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkar Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
M&A Securities